



YOBE STATE ARREARS CLEARANCE FRAMEWORK 2020

DECEMBER 2019

**DEBT MANAGEMENT UNIT
YOBE MINISTRY OF FINANCE**

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Glossary

ACF – Arrears Clearance Framework

CRF - Consolidated Revenue Fund

DMU - Debt Management UNIT

DSA - Debt Sustainability Analysis

FAAC- Federation Account Allocation Committee

GDP - Gross Domestic Product

IGR – Internally Generated Revenue

MDAs - Ministries, Departments and Agencies

MTDS - Medium-Term Debt Management Strategy

MTEF - Medium-Term Expenditure Framework

NGN – Nigerian Naira

VAT – Value Added Tax

USD - United States Dollar

Background

Introduction

The Yobe State Debt Management UNIT (DMU) was established by act of State House of Assembly following the passage into law of the Yobe State Fiscal Responsibility Law 2016. This is with the aim of managing the State debt and arrears situation by: -

- i. Establishing and operationalizing a Debt Management unit
- ii. Undertaking a validation and reconciliation exercise of Yobe State's Internal and External Debt Database with all creditors
- iii. Negotiating with creditors and the development partners for arrears clearance, Debt relief and new financing; and
- iv. Leveraging Yobe State's natural resources in pursuit of Debt relief. This is with the aim of achieving the following objectives amongst others to:
 - I. Make public Debt Management a visible instrument for growth, development, and poverty reduction.
 - II. Maintain public Debt sustainability and
 - III. Strengthen the existing legal, institutional and policy frameworks for efficient Debt Management in the State.

Below are the projected arrears as at 30th June 2020: -

Contractors: - ₦ 2,794,882.00

Pension & Gratuity: - ₦2,628,876,550.70

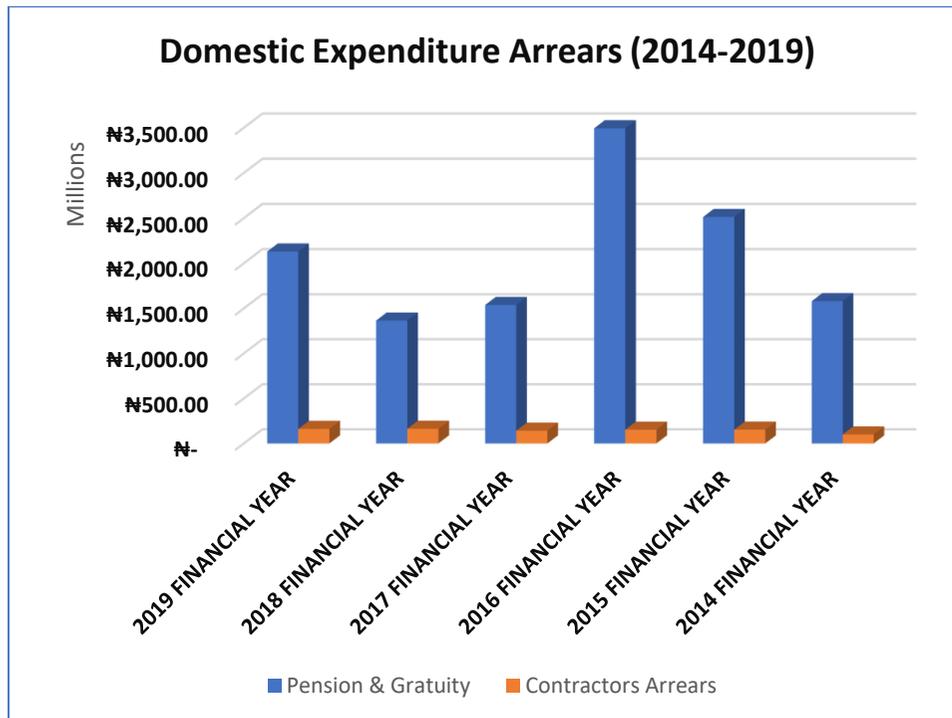
Table 1 Debt Position as at 31st December 2019

Debt Sustainability Analysis

A	DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2019
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	46.60%
2	Total Domestic Debt/IGR	150%	340.94%
3	Total External Debt/Total Recurrent Revenue	50%	12.84%
4	Total Public Debt/Total Recurrent Revenue	100%	59.44%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Recurrent Revenue	10%	0.64%
7	Total Debt Service/Total Recurrent Revenue	15%	3.52%
8	Domestic Debt Service/IGR	10%	21.06%
9	External Debt Service/FAAC	40%	0.75%
			2019 Actual
B	PUBLIC DEBT DATA AS AT 31st DECEMBER 2019		Naira
1	Total Domestic Debt		28,977,026,987
2	Total External Debt		7,982,350,205
3	Total Public Debt		36,959,377,192
4	Total Domestic Debt Service 2019		1,789,614,455
5	Total External Debt Service in 2019		401,026,827
6	Total Public Debt Service		2,190,641,282
C	STATE GDP FOR 2019		
1	State GDP		0

BREAKDOWN OF DOMESTIC EXPENDITURE ARREARS (2014-2019)

DOMESTIC EXPENDITURE ARREARS DETAILS	2019 FINANCIAL YEAR	2018 FINANCIAL YEAR	2017 FINANCIAL YEAR	2016 FINANCIAL YEAR	2015 FINANCIAL YEAR	2014 FINANCIAL YEAR
	₦	₦	₦	₦	₦	₦
Pension & Gratuity	2,130,241,704.59	1,365,156,785.03	1,537,223,487.12	3,493,933,564.76	2,513,040,670.65	1,580,056,675.71
Contractors Arrears	161,238,572.46	162,445,156.40	141,274,853.63	152,196,302.47	153,106,302.47	99,656,704.24
ANNUAL TOTAL	2,291,480,277.05	1,527,601,941.43	1,678,498,340.75	3,646,129,867.23	2,666,146,973.12	1,679,713,379.95
NOTE: The Arrears figures reported is in Naira (₦) and it is the total amount of each type of arrears as per domestic database for the year ending 31st December 2019						



Planned Actions to clear Arrears

Multiyear funding plan to clear arrears

The Yobe State Government is committed to clear its debt stock arrears, avoid the accumulation of new arrears and to complete the implementation of reforms necessary. Yobe state multi years plan is a financial plan of the state for clearance of her stock of arrears based on the total funds available for the state current budget year and budget year to come.

The State in its effort to achieve the clearance of her stock of arrears, constituted committees on verification of gratuity and reconciliation and verification of contract liabilities.

The state government shall clear her arrears using funds from any of the following sources:

- The State Internally Generated Revenue
- Grants from the Federal Government (FAAC)

Furthermore, arrears clearance is also central to the Debt relief process for any Country or State. Without clearance of arrears, progress cannot be made in the development of the State. This is mainly dependent on the availability of strong economic policy and foresight.

Table 2: Yobe State Macroeconomic Framework

Item	2020	2021	2022	2023
National Inflation	10.80%	11.00%	11.00%	11.00%
National Real GDP Growth	2.93%	3.00%	4.68%	3.86%
Oil Production Benchmark (MBPD)	2.1800	2.3000	2.3000	2.3000
Oil Price Benchmark	\$57.00	\$60.00	\$60.00	\$60.00
NGN:USD Exchange Rate	305	305	305	305
Other Assumptions				
Mineral Ratio	35%	30%	35%	40%

Fiscal Framework Table of Yobe State

Fiscal Framework	2020	2021	2022	2023
Treasury Opening Balance	2,500,000,000	2,209,473,032	2,242,284,164	3,447,863,558

Recurrent Revenue

Statutory Allocation	52,018,120,659	57,396,065,181	66,348,000,000	48,688,150,614
VAT	12,470,885,755	12,917,681,842	14,153,000,000	15,914,739,818
IGR	5,442,495,,	6,960,256,154	7,000,000,000	7,300,000,000
Other FAAC Revenues	2,201,000,000	4,100,000,000	4,100,000,000	4,100,000,000
Other Recurrent Revenues	1,516,599,000			
Total Recurrent Revenue	73,649,101,082	80,809,472,131	91,857,812,502	75,502,890,432

Recurrent Expenditure

CRF Charges	11,298,120,659	6,734,578,000	7,734,578,000	8,585,000,000
Personnel	29,386,790,820	30,558,343,848	32,630,000,000	32,009,731,004
Overheads	17,109,714,034	17,029,465,967	18,940,720,838	18,039,714,034
Total	57,795,301,082	54,322,387,814	59,305,298,838	58,634,445,038

Transfer to Capital Account	18,353,800,000	28,696,557,349	34,976,797,828	21,816,308,952
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Capital Receipts

Grants	4,250,000,000	5,647,500,000	5,647,500,000	7,150,000,000
Other Capital Receipts	7,015,000,000	1,010,000,000	1,508,000,000	1,500,000,000
Total	11,265,000,000	6,657,500,000	7,155,500,000	8,650,000,000

Reserves

Contingency Reserve	0	0	0	0
Planning Reserve	0	4,040,473,607	4,592,890,625	5,210,000,000
Total Reserves	0	4,040,473,607	4,592,890,625	5,210,000,000

Capital Expenditure	50,518,800,000	35,354,057,349	42,132,297,828	28,966,308,952
Discretionary Funds	50,518,800,000	37,972,516,349	21,187,899,024	28,966,308,952
Non-Discretionary Funds		1,500,000,000	1,500,000,000	1,500,000,000

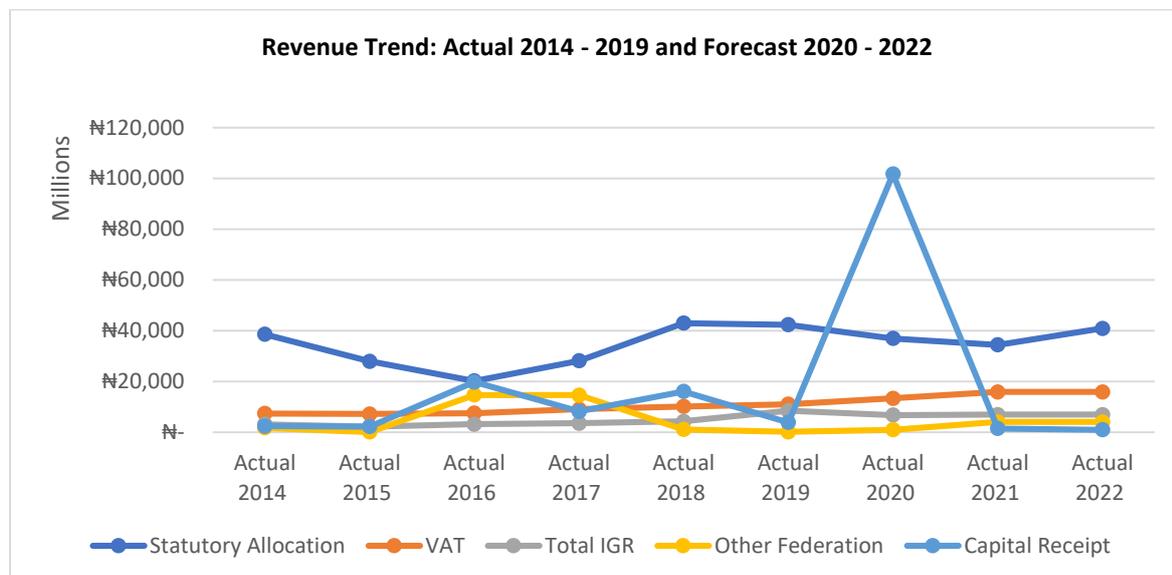
Net Financing	20,900,000,000	0	0	0
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Total Budget Size	108,314,101,082	89,676,445,164	101,437,596,666	87,600,753,990
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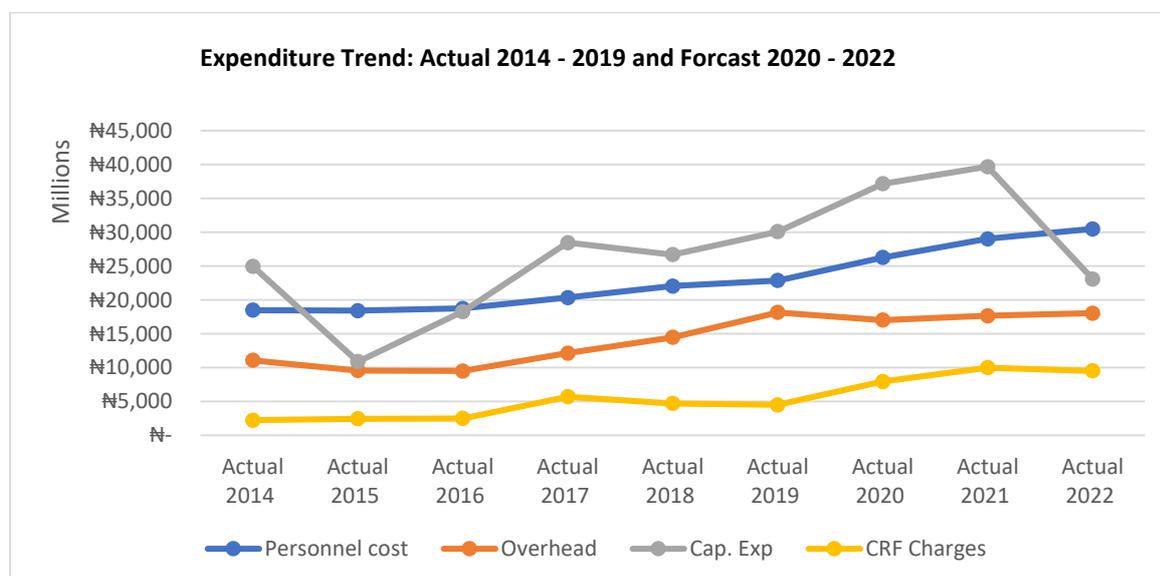
Closing Cash Balance				
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Ratios				
Growth in Recurrent Revenue	10.28%	-8.24%	9.60%	11.67%
Growth in Recurrent Expenditure	-44.60%	140.87%	2.42%	0.98%
Capital Expenditure Ratio	73.33%	41.17%	28.45%	33.07%
Deficit to Total Expenditure	2.42%	10.27%	0.00%	0.00%

Revenue Trend: Actual 2014 – 2019 and forecast 2020 – 2022



Expenditure Trend: Actual 2014-2019 and Forecast 2020 – 2022



Economic policy Framework and selected policy reform measures

The Medium-Term Plan (MTP): 2020-2022 -The Medium-Term Plan (MTP) is the premier economic and social policy framework set out to support the restoration of economic stability and growth in Yobe State. This framework has been developed on the foundations laid down and the 3-year Macroeconomic Policy and Budget Framework. The MTP sets out clearly the national priorities and investment programs for 5 years, from 2017 to 2022. The main target of the MTP is to ensure that the economy remains on a sustainable growth. The focus of the plan is on inclusive growth and balanced development. To attain objectives of the MTP, a number of reform measures are being implemented.

Debt Management

To address the debt and arrears situation, Government adopted an Accelerated Arrears Clearance, Debt and Development Strategy with the following key policy elements:

- i. Establishment and operationalization of a Debt Management unit
- ii. Undertaking a validation and reconciliation exercise of Yobe State's internal and external debt database with all creditors.
- iii. Negotiating with creditors and the development partners for arrears clearance, debt relief and new financing; and
- iv. Leveraging Yobe State's natural resources in pursuit of debt relief.

Expenditure Rationalization

In view of the expenditure overrun on the wage bill, Yobe State Government plans to introduce the general freeze on civil service recruitment, with dispensations on critical areas and which warranted Treasury and relevant Public Services Commissions concurrence restrained foreign travel accompanied by other cost cutting measures, such as, forward purchasing of tickets and prioritized settlement of domestic arrears.

Human Capital Development

Yobe State Government has instituted policies that enable the participation of women and youth in mainstream economic activities. Adoption of a number of National policies has been followed by establishment of several funding facilities such SME Fund to facilitate access to skills training, affordable credit, as well as creation of employment opportunities.

Prioritization Criteria for Arrears to be settled in the implementation of the ACF

The government adopted the following prioritization criteria for Yobe state Government

Yobe State
Year: 2020

Type of Arrears	Total stock at end of 2019	Criteria for allocation among types	Planned amount to be cleared in 2020	Prioritization criteria to be applied to arrears within each type of arrears
Contractors	161,238,572.46	Settlement in two instalments after reconciliation	161,238,572.46	Based on reconciliation report
Pensions And Gratuities	2,130,241,704.59	Allocation of ₦100m Monthly	1,200,000,000.00	FIFO
Salaries	-			
Others	-			
Total	2,291,480,277.05		1,361,238,572.46	

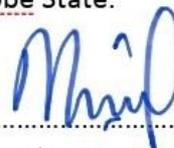
Institutional Arrangements for overseeing the implementation of the ACF

Against the background of the deterioration of the economic and social situation, dialogue between donors and the Yobe State Government led to the creation of the Unit of the Special Advisers on Budget and Planning, Finance and Economic Development. The purpose of the Budget and Planning, Finance and Economic Development Offices is to contribute to early recovery and development efforts in Yobe State by mobilizing donor resources and promoting donor coordination. Thus, from the outset the Budget, Planning and economic Development office aims at interventions that would save lives and protect assets; its therefore focused on infrastructure rehabilitation investments in water and sanitation, and energy sectors in line with the priorities of the progressive Government of the day. The Budget, Planning and economic Development Office will no doubt effectively see to the implementation of Arrears Clearance Framework (ACF) in Yobe State.



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